

Olene Walker Housing Loan Fund Annual Report to the Utah State Legislature 2008



“RISING TO THE CHALLENGE”

**Utah Division of Housing and Community Development
Utah Department of Community and Culture**

This report is prepared pursuant to Utah Code 9-4-708



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Executive Summary

The Olene Walker Housing Loan Fund (OWHLF) helps to create and preserve affordable housing in Utah. Table I compares the funding and accomplishments of the OWHLF for the past two program years. The table shows that despite a \$1.9 million, or 22 percent decrease, in federal and state funding during FY08, leveraging opportunities allowed OWHLF to fund 913 new or rehabilitated units. That's a 28.1 percent increase over 2007.¹

Table I – Year to Year Comparison of OWHLF Funding and Accomplishments

	Program Year 2006-07	Program Year 2007-08
HUD Funding	\$3,840,382	\$3,886,795
USDA Rural Development One-time Awards ²	\$1,500,000	\$61,000
State Funding	\$3,295,400	\$2,746,400
Total Funds Available	\$8,635,782	\$6,694,195
Total Units Assisted	713 units	913 units
Current Total Portfolio (number of open loans)	969 loans	924 loans
Total Value of Current Portfolio (loans and funds available)	\$80,883,578	\$84,965,624
Jobs created ³	953 jobs	1,357 jobs
Cumulative Totals (housing units funded since 1987)	9,085 units	9,998 units
Multi-family Units:		
Multi-family Affordable Units (constructed or rehabilitated)	527 units	794 units
Average OWHLF Multi-family Subsidy ⁴	\$17,279 per housing unit	\$10,834 per housing unit
Household Income Served (percent of area median income for MF units)	32.9%	34.1%
MF Fund Leveraging per OWHLF dollar	\$5.56	\$10.14
Single-Family Units:		
Single-family Units (constructed or rehabilitated) ⁵	186	119
Average OWHLF Single-Family Subsidy	\$21,027 per housing unit	\$16,823 per housing unit

This past year has been marked by great instability for the U.S. housing industry. Market swings in Utah are less pronounced than in neighboring Arizona, Nevada, and California. But Utah's foreclosure rates are climbing, and all indicators suggest that the housing slump will get worse before it gets better.

What's less clear is how all this affects the affordable housing market. Home prices have stabilized, but average prices still remain above reach for many families. Utah's need for affordable housing continues to outpace availability. For low-income populations (those with income less than 50 percent AMI) there is an 8,855-unit gap between annual need and what Olene Walker Housing Loan Funds resources is providing.⁶ Utah's cumulative need in

¹ The HUD HOME program year runs from April 1st through March 31st while the program year for legislatively appropriated funding runs from July 1st through June 30th of each year. Since the final OWHLF Board meeting for each state fiscal year is scheduled during April, the year-end production figures are the same for reporting to both HUD and the Utah Legislature.

² The USDA Rural Development award occurred on April 1, 2007 - funds must be matched on a 50:50 basis.

³ "Economic Impact of Affordable Housing, New Construction, Rehabilitation Assistance Programs," Bureau of Economic and Business Research (BEBR), University of Utah, September 2004, page 6 reports 1,285 direct jobs created for each \$100 million in affordable housing construction.

⁴ The OWHLF participation includes loans and grants funded for each fiscal year.

⁵ Since single family (SF) units often receive assistance from two programs including down payment assistance, "double counting" is avoided by not including the SF units receiving down payment assistance.

⁶ The gap is estimated based upon low income (0 to 50% AMI) households' demand for new units (an estimated 1% increase per year or 2,958 units) plus all units needing rehabilitation each year (an estimated 5% of all existing units or 6,786 units per year) less the 889 units (0-50% AMI) receiving funds from OWHLF for a total of 8,855 units needed each year. This does not consider the 570 units funded by Private Activity Bonds in FY08 which serves a population of 60-80% AMI. Also, see Attachment B.

affordable rental units alone has been estimated at 51,000 units.⁷ The demand and limited supply of rental units is manifest in long waiting lists, rent increases of more than nine percent over the past year, and statewide vacancy rates hovering at five percent. With a \$68,000 median qualifying income for home ownership, many working professionals including teachers, police, and nurses cannot afford to buy homes in their communities.⁸ Additional funding to the Olene Walker Housing Loan Fund can help meet Utah's affordable housing needs for rental and homeownership opportunities.

The Olene Walker Housing Loan Fund Board took extraordinary steps this year to shore up Utah's affordable housing market, dipping into the fund's reserves to aid developers who are feeling the squeeze of the nation's mortgage crisis. In doing so, the board salvaged six projects, encompassing 263 new, or newly renovated, low-income housing units.

The credit crunch has clamped down on financing for affordable housing, just as foreclosures are rising and stricter lending standards are making it harder for Utah households to qualify for loans. Much of the affordable housing in this country is funded through the sale of tax credits, and the biggest buyers of credits are financial institutions, which are still recovering from the mortgage crisis. Waning demand for the tax credits has driven down the price, which has developers looking to the OWHLF to plug the gaps.

In an effort to stretch OWHLF dollars and take advantage of economies of scale, the board this year financed more multi-family units than single-family homes.

Meeting the Needs of Utah Low-Income Households: Olene Walker Housing Loan Fund Programs

The Olene Walker Housing Loan Fund partners with public and private organizations to create and preserve affordable housing for Utah's low-income community. To achieve this goal, the Division of Housing and Community Development (DHCD) as well as the OWHLF Board have implemented the intent of Utah Code Section 9-4-703. The Division of Housing and Community Development manages seven OWHLF-funded programs and initiatives which support the construction, rehabilitation, and purchase of affordable multi-family and single-family housing throughout Utah. These programs are based upon fair, open, and competitive processes for applicant proposals.



Renovation was completed on 142 units of senior housing at Multi-ethnic Highrise in downtown Salt Lake using \$233,867 from the Olene Walker Housing Loan Fund.

⁷ "Out of Reach 2006" published by the National Low Income Housing Coalition, Washington D.C.

⁸ Matthews, Dr. Kelly K., "Housing Affordability Analysis", July 2008. Also, see Attachment B.

FY08 Accomplishments

The Olene Walker Housing Loan Fund programs accomplished the following during for the state fiscal year ending June 30, 2008:

- A. **913 housing units funded** - The fund supported construction or rehabilitation of 794 multi-family units and 119 single-family units statewide, a 28.1 percent increase over FY07. For FY08, the continued high costs for land, materials, and labor created a better overall opportunity for investment in multi-family rather than single-family units. FY08 also proved to be a better year for leveraging within the multi-family sector. The OWHLF was able to support multi-family units at \$10,834 per unit compared to \$16,823 per single-family unit.
- B. **Multi-family leveraging increases from \$5.56 to \$10.14 dollars** – More than \$76.8 million was leveraged by the Olene Walker Housing Loan Fund for multi-family housing during FY08, compared to \$50.6 million in FY07. During FY08, the OWHLF Board allocated \$96,000 in state funds and \$8,505,376 in federal funds to support multi-family projects. For the Palmer Court project alone, \$1.5 million in OWHLF funds leveraged \$23.3 million from other sources. For single-family projects, each OWHLF dollar leveraged an average of \$3.24. The OWHLF Board allocated \$715,723 in state funds and \$1,286,264 in federal funds, leveraging a total of \$6.5 million.

The Division of Housing and Community Development continues to pursue additional leveraging opportunities with CRA (Community Investment Act) partners within the banking community, RDA/EDA (Redevelopment Area and Economic Development Area) funding to local communities, and federal LIHTC (low income housing tax credits), historical and energy tax credits, private foundations, and bond sources.⁹ During FY08, the Private Activity Bond Board supplemented the efforts of the Olene Walker Housing Loan Fund by approving 570 units of affordable housing for Salt Lake and Wasatch Counties.¹⁰

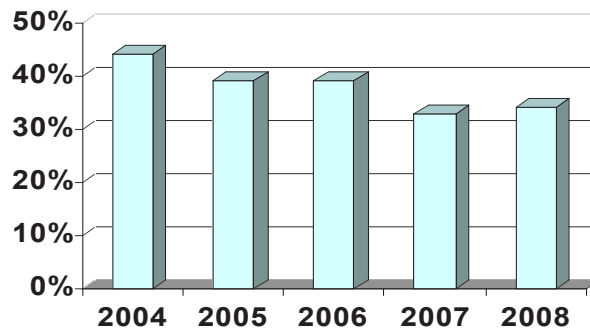
It should be noted that because of the country's developing financial crisis, the value of tax credits has declined between 10-20 percent, depending on the property, reducing leveraging opportunities with tax credits, a key source of funding for the affordable housing industry.

- C. **OWHLF serves a lower income population at only 34.1 percent AMI (Area Median Income)** - The board continues to target those citizens in greatest need. The 34.1 percent AMI served for 2008 multifamily projects compares with the 32.9 percent AMI served in 2007. Table II shows the overall AMI served for each of the past five years. For a family of four in Salt Lake County, the 34.1 percent AMI equates to annual earnings of \$21,483.

⁹ Over the next 15-20 years, certain communities will benefit from more than \$143 million in local RDA and EDA tax increment funding which has been set-aside for affordable housing. During FY08, the OWHLF received requests from two communities for waivers to the 20% RDA/EDA set-aside requirement: City of West Jordan and Lehi City.

¹⁰ The projects include Liberty Valley Apartments (130 units), Timber Gate Apartments (288 units), and Willow Creek Retirement Community (152 units).

Table II
FY08 OWHLF-funded Projects
Area Median Income of Population Being Served



D. OWHLF supports construction of 279 more housing units for homeless people –

DHCD is a leader in efforts to end chronic homelessness through the “Housing First” model and Utah’s Ten Year Plan to End Chronic Homelessness. Under this plan, Utah’s population of chronically homeless individuals needs 2,074 units of supportive housing.¹¹ During FY08 the OWHLF Board provided funding for 279 additional supportive housing units for chronically homeless people. This includes 210 units at Palmer Court on Main Street in Salt Lake City which is being developed by the Road Home; and 84 units at Grace Mary Manor in South Salt Lake City. In addition, the OLWHF Board allocated \$425,000 in tenant-based rental assistance. This funding helped 60-75 homeless men and women move immediately into housing while remaining on housing authority waiting lists for long-term assistance.



The Housing Authority of Salt Lake County’s Grace Mary Manor was built using \$1.0 million from the OWHLF to leverage \$7.8 million in other funds. The project creates 84 units of supportive housing for the chronically homeless population.

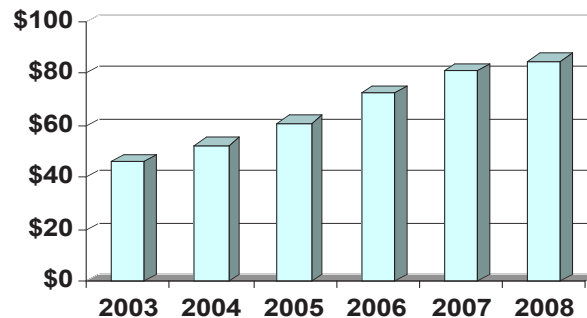
DHCD staff are also tracking the availability of more than 100 existing housing units that have been set aside for the homeless population. Staff will ensure that these units continue to be available to serve Utah’s homeless population.

E. Olene Walker Loan Fund increases to almost \$85 million – The total value of the OWHLF Fund (including the all loans outstanding, property assets, and funds available) increased to \$84,965,624 in FY08 from \$80.9 million in FY06 (see Table III and Attachment C). At the same time, the number of full time DHCD staff assigned to OWHLF remained at 8.5 FTEs.

¹¹ The number of supportive housing units is based upon the statewide “point in time” estimate of homeless persons, produced by the Utah Division of Housing and Community Development, September 11, 2007.

Although the total fund value increased from FY07 to FY08, the total demand for loan and grant products continues to outpace available funds. For the first time in OWHLF history, the demand for multifamily funding at the December Quarterly OWHLF Board Meeting depleted all available multifamily funds. As a result, DHCD staff canceled the April 2008 and the July 2008 multi-family funding cycles.

Table III
Total OWHLF Portfolio Value (loan portfolio, property assets and funds available)



- F. **OWHLF targets rural housing needs for FY08** – OWHLF continues to target loans and grants to single-family and multi-family projects in rural Utah. This past year, 37 percent of all funds were allocated to improve or create affordable housing in rural communities. This targeting helps non-entitlement communities that can't directly receive HUD HOME allocations.
- G. **Projects assure long-term affordability** – The Olene Walker Housing Loan Fund continues to require funded properties to remain affordable for up to 30 years. In addition, the application review process, loan underwriting and compliance monitoring by DHCD staff assure that property owners possess the ability, stability and resources to complete and manage a property throughout the loan period.
- H. **492 self-help homes completed through FY08 in partnership with USDA Rural Development** – Seven local agencies that serve rural Utah received OWHLF money for self-help housing projects. The total number of self-help homes constructed to date totals 492 with 66 homes completed during FY08. Households contribute 60 percent of the labor for each home under the direction of an agency's construction supervisors. Licensed contractors complete code-sensitive aspects of construction. Rural Development pegs the total net value of the program to date at \$201 million.



The Rural Self Help Program has helped 492 households through FY08 including this home in Utah County.

On June 30, 2008, the USDA Rural Development, Salt Lake Office, recognized Gordon Walker for the Division of Housing and Community Development's efforts to promote housing in rural Utah.

- I. **129 Households Save Toward Home Ownership** - The Utah Individual Development Account (IDA) Network administered by AAA Fair Credit helped 129 Utah households save to buy a home. The IDA program is supported by \$100,000 in pass-through funds from the Utah Legislature as well as funding from the U.S. Department of Health and Human Services, and from area financial institutions. Under this state-wide program, households save toward home ownership with matching grant funds provided by the participating partners. In FY08, successful savers purchased 18 homes with net value at \$3.2 million.

The HUD-funded American Dream Down Payment Initiative Program (ADDI) provided 12 new grants and loans of no more than \$2,000 each to households for down payment and closing costs assistance. HUD's allocation for ADDI funds to DHCD were reduced to \$57,305 for FY08 with only \$23,181 expected for FY09. Staff has advised local agencies that the program may end in FY09. Since inception of the program through FY08, the total number of households served by this program totals 376.

- J. **Loan management efficiency and compliance improvements** – Changes in loan processes and staff responsibilities in FY08 created higher levels of program efficiency, customer satisfaction, as well as tighter compliance to state and federal regulations. To reduce program exposure to legal liabilities, the staff continues to work with the Utah Attorney General's Office to prepare loan documents and guide Board processes. Six trainings were held during the year to inform local partners and agencies on such topics as the Fair Housing Act, environmental requirements, Davis Bacon provisions, and program standards. DHCD completed long-term compliance monitoring for 88 properties during the year. Compliance monitoring includes review of tenant files at each property, physical inspection of units, verifying adherence to federal fair housing and accessibility laws, use of set-aside units for the homeless and disabled and reviewing agency financial records.

To further improve OWHLF operation, DHCD implemented recommendations from the Office of HUD Inspector General including updated policies and procedures, tracking of completed monitoring activities, frequent postings to the federal IDIS database, and changes to the down payment assistance program.

- K. **OWHLF supports Group Workcamps Project** – The Olene Walker Housing Loan Fund provided \$40,000 to upgrade 52 American Indian and other low-income homes in the Blanding, Westwater, White Mesa, and McCracken Mesa communities of southeastern Utah. More than 300 volunteers provided over 13,000 service hours. The project is managed each year by DHCD's Weatherization Assistance Program. A total of 487 units have been completed to date under this program. Most of the units completed in FY08 are owned by income-eligible Navajo families.



The FY08 Group Workcamps Project served 52 Native American and other low income homes in southeastern Utah.

- L. DHCD Receives National ENERGY STAR Recognition Award** – For affordable housing to be truly affordable, it must be energy efficient. Such is the belief behind a policy to promote energy-efficient construction adopted by the Olene Walker Housing Loan Fund, recipient of the 2008 ENERGY STAR Award for Excellence in Energy-Efficient Affordable Housing. In 2006, the loan fund's board adopted a policy requiring that all Olene Walker housing earn the ENERGY STAR rating, the Environmental Protection Agency's standard for superior energy efficiency. Over the past two years, the fund has added 1,630 ENERGY STAR units to the state's affordable housing stock, saving Utah households about half-a-million dollars on their energy bills. Utah was singled out for recognition by the EPA from more than 9,000 organizations that participate in the ENERGY STAR program.

In addition, a recent DHCD analysis of 148 OWHLF units found that affordable housing built to ENERGY STAR standards saves homeowners more money than previously thought. Actual utility costs per unit average \$62 a month, according to the study. That's 12 percent cheaper than the \$70 bill that independent energy auditors had estimated tenants would pay to heat, cool and light their apartments.



Utah Nonprofit Housing Corporation receives building plaques for renovating 100 units to ENERGY STAR levels.

The study also showed that not all ENERGY STAR housing is created equal. Of the three properties surveyed, the Stratford Apartments in Salt Lake City boasted the lowest monthly utility bills at \$21.10. At the high end was \$90.89 at The Springs in Logan, a development of 54 single-family, three-bedroom homes. Square-footage is a factor. But, the Stratford Apartments also outperformed energy-efficiency estimates by the highest margin, thanks to the developer's use of solar panels. The study will enable DHCD staff to measure the costs of certain ENERGY STAR upgrades against the payback. But the findings are applicable to all homeowners.

- M. 120 Accessible Units Receive OWHLF Funding for Accessible Housing** – Disabilities are a major factor in affordable housing; one-in-five very low-income households includes a disabled occupant. During FY08, a total of 113 units were funded that accommodate individuals with disabilities. In addition to these 113 units, seven households with disabled members made home purchases in FY08 through the OWHLF-funded HomeChoice Program. All accessible units funded through the OWHLF are inspected at least biannually to assure that individuals with disabilities are targeted for available units and that unit dimensions, fixtures, and appliances comply with federal Fair Housing and Section 504 accessibility guidelines.
- N. Rural Single Family Rehabilitation and Reconstruction Program (SFRRP) Program Expands Statewide** – This program provides loans through local agencies for rehabilitation and replacement of dilapidated rural housing. By the end of FY08, the number of rural agencies participating in the SFRRP program had grown from five agencies to eight. Coverage now extends statewide to include the previously unserved

counties of Summit, Wasatch, Tooele and Morgan. As of June 30, 2008, the local agencies had succeeded in completing 107 projects including; 16 replacement homes and 91 units of renovation. During the last year, the program leveraged \$1,925,270 in other funds from \$1,060,523 in OWHLF funds.

- O. **Foreclosure and the Subprime Mortgage Solutions** - To help Utah weather the foreclosure and mortgage crisis, the OWHLF has provided \$10,000 to a consortium of non-profit housing counseling agencies. The agencies form a statewide network to provide counseling to families with debt, foreclosure, and variable interest mortgage issues. The coalition also refers troubled households to toll-free numbers and websites for additional resources.

DHCD staff received training to counsel OWHLF loan recipients who are delinquent or facing foreclosure. As of June 30, 2008, the number of OWHLF-funded units in foreclosure was seven with 15 delinquent loans. One year earlier, there were two units in foreclosure with 20 delinquent loans.

Profile of Utah's Low-income Housing Needs

New Affordable Units Needed

Based upon population growth, low to moderate-income households (those households less than 80 percent of the Area Median Income or AMI) need 5,126 new rental units per year and 3,468 new homeownership units per year for a total of 8,594.¹² Last year, the Olene Walker Housing Loan Fund had sufficient funding for 913 units, which serve 494 households at 30-50 percent AMI and 395 households at less than 30 percent AMI.

For homeownership, affordability issues are compounded as housing costs continue to remain high compared to income. The average Utah home (excluding Park City) sold for \$230,000 during the second quarter of 2008, down from \$248,969 in the second quarter of 2007. During the year, 53.8 percent of all new and existing homes qualified as affordable with affordability defined as homes priced below \$160,000 sold to households earning at least \$65,000.¹³ Workforce housing remains major issues for Utah communities where vital employees (teachers, police, firefighters, nurses, etc.) cannot afford to live where they work (see Table V). In 2007 for example, only 7.2 percent of homes sold were affordable to a teacher with 10 years of experience.¹⁴

Rehabilitation Needs

In addition to this demand for new units, affordability for almost 170,000 existing low-income housing units must be maintained. This includes 94,000 rental units.¹⁵ For the low income population, this equates to 13,966 units needing full rehabilitation each year.¹⁶

¹²These estimates are derived from the projected growth rate in number of households in population groups at 0-80% AMI. In comparison, the Governor's Office of Planning and Budget projects an additional 28,330 total households for Utah during 2009.

¹³ Woods, James, "Utah Foreclosures Likely to Set Record in 2009", Bureau of Economic and Business Research, University of Utah, August 2008, page 1. Also see the Wells Fargo Housing Opportunity Index.

¹⁴Memo from James Wood, June 27, 2008, page 2, prepared for the Utah Bankers Association Conference.

¹⁵ This figure of 170,000 households is for populations at 50% AMI or less. The approximate number of households is based upon household populations per the Governor's Office of Planning and Budget and HUD's SOCDA CHAS database at HUDuser.org. Also, see "Annual report on Poverty in Utah 2008" prepared by Utah Community Action Partnership, SLC, pages 31-32.

¹⁶ Based upon an average useful life for most housing systems (heating, toilets, stoves, windows, etc.) of 20-25 years, approximately 13,966 of the 349,162 existing units must be upgraded and preserved as affordable housing each year (see attachment B). The cost for rehabilitating the nation's public housing stock has been estimated at \$20,000 per unit (see "Tools and Solutions for Public Housing Authorities," Fannie Mae, April 29, 2005, page 11 which lists the estimate per unit as \$18,847 in 2005 dollars).

A statewide survey of Utah's low-income housing stock shows an ongoing need for rehabilitation. In parts of southeastern Utah, 34 percent of the homes are considered deteriorated or dilapidated. Under the OWHLF Programs, participants living in these difficult, unsafe or unsanitary conditions are identified and targeted for assistance. Referrals are often received from social service providers, church leaders, and advocates for the poor. Virtually all the owner-occupied single-family homes rehabilitated by OWHLF in FY08 had health and safety issues.

Voucher Needs

Approximately 13,000 families and individuals participate in the HUD Housing Choice Voucher Subsidy Program and 1,480 participate in the USDA Section 521 rental assistance program. Unfortunately, the voucher waiting list for most local agencies now exceeds two years. During FY08, the OWHLF Board allocated \$450,000 for 50-60 TBRA vouchers throughout Utah to support the "Ten Year Plan to End Chronic Homelessness." These vouchers are used by local agencies to move the homeless off the streets and into housing while they wait for permanent housing vouchers.

The Need for Affordable Rental Units

Utah has approximately 163,234 low-income renter households (earning below 80 percent



AMI) or 1 in 4 of all households. Last year, Utah's rental units averaged \$703 per month for a two-bedroom unit compared with \$678 per two-bedroom unit in FY07. In order to afford this level of rent and utilities, without paying more than 30 percent of household's income, a family must earn \$2,344 monthly or \$28,128 annually. Assuming a 40-hour work week, this level of income translates into a housing wage of \$13.52 per hour for a two-bedroom unit whereas the average renter only earns \$11.05 per hour.¹⁷ The cost for rental

34% of homes in some rural Utah counties are dilapidated.

housing also impairs the ability of businesses and government to find and retain a workforce. Table IV illustrates how area wages compare against the housing wage:

¹⁷ National Low Income Housing Coalition, Washington, D.C. per www.nlihc.org/poor/poor2008/data.cfm?getstate=on&getnonmetro=on&state=Ut

Table IV
Annual Renter Income by County Verses Fair Market Rent¹⁸

	Area Medium Income (for 2- person household)	Income needed to afford 1 bedroom unit at fair market rent	Income needed to afford 2 bedroom unit at fair market rent	Income needed to afford 3 bedroom unit at fair market rent
COUNTY				
Beaver County	\$39,500	\$19,880	\$24,280	\$34,400
Box Elder County	\$47,000	\$18,880	\$23,760	\$31,400
Cache County	\$41,500	\$19,600	\$24,520	\$32,880
Carbon County	\$39,500	\$18,480	\$22,200	\$29,160
Daggett County	\$40,333	\$20,040	\$22,200	\$28,800
Davis County	\$52,000	\$22,480	\$27,680	\$38,080
Duchesne County	\$39,500	\$20,040	\$22,200	\$28,680
Emery County	\$41,833	\$20,040	\$22,200	\$28,800
Garfield County	\$39,500	\$19,880	\$24,280	\$34,400
Grand County	\$39,500	\$20,040	\$22,200	\$28,600
Iron County	\$39,500	\$19,280	\$22,200	\$32,360
Juab County	\$48,000	\$22,840	\$26,680	\$38,800
Kane County	\$39,500	\$19,880	\$24,280	\$34,400
Millard County	\$40,167	\$19,880	\$24,280	\$34,400
Morgan County	\$52,000	\$22,480	\$27,680	\$38,080
Piute County	\$39,500	\$19,880	\$24,280	\$34,400
Rich County	\$43,667	\$19,560	\$24,480	\$32,920
Salt Lake County	\$52,333	\$25,000	\$30,160	\$42,440
San Juan County	\$39,500	\$20,040	\$22,200	\$28,800
Sanpete County	\$39,500	\$19,880	\$24,280	\$34,400
Sevier County	\$39,500	\$19,880	\$24,280	\$34,400
Summit County	\$69,667	\$35,360	\$39,280	\$55,000
Tooele County	\$47,834	\$21,480	\$25,520	\$32,240
Uintah County	\$39,500	\$20,040	\$22,200	\$29,160
Utah County	\$48,000	\$22,840	\$26,680	\$38,800
Wasatch County	\$50,500	\$23,920	\$31,520	\$37,680
Washington County	\$41,667	\$21,680	\$25,760	\$37,440
Wayne County	\$39,500	\$19,880	\$24,280	\$34,400
Weber County	\$52,000	\$22,480	\$27,680	\$38,080

Emergency Housing Needs

The Division of Housing and Community Development predicts housing emergencies to worsen in FY 09 due to the arrival of more refugees, mobile home park closures, rising foreclosures, increased demand for rental units as home sales slow and the sale of affordable tax credit properties as market rate rental units. On top of the 8,594 new units needed to handle normal population growth and demand for affordable housing, these pressures could require hundreds of additional units.

Reports show the number of Utah homes in foreclosure at 3,550 during the second quarter of FY08, a 21 percent increase from the first quarter. Some communities are seeing as many as

¹⁸ See 2006 and 2007 "Out of Reach", National Low Income Housing Coalition, and Washington D.C.

one foreclosure in 163 households while the statewide average approaches one foreclosure for 472 households. This compares to the national figure of one foreclosure in 464 households. If Utah's foreclosure rate approaches the 3 percent national average, Utah would have 13,000 homes in foreclosure.¹⁹ As noted above, the OWHLF has provided financial support to the statewide counseling network which helps households avoid foreclosure. The network will likely request additional HUD funds during FY09.

The OWHLF Board will hold a hearing in October 2008 to discuss the impacts of Congress' "Housing and Economic Recovery Act of 2008" (HR 3221) which includes funds through the CDBG Program to allow communities to rehabilitate and sell foreclosed properties. The estimated CDBG foreclosure funding is estimated for Utah at \$19.0 million. The OWHLF also supports the Utah Housing Corporation in developing bond-based mortgage products that assist households faced with foreclosure.

Utah's Housing Priorities and Planning

Local Housing Plans

The Division of Housing and Community Development believes that projects funded through the OWHLF board should meet local needs for affordable housing as identified in quality local housing plans. Of the 149 municipalities required to have affordable housing plans (11 counties and 138 cities) per 10-9a-408 and 17-27a-408, DHCD received 138 plans in FY08 for review. The review finds that qualitative scores for local plans average 3.6 (on a scale with 1.0 as poor to 9.0 as excellent) which suggests that plans do not accurately forecast housing needs, nor present appropriate solutions. As a result of the review, DHCD has identified those communities needing technical assistance and information to upgrade their housing plans.

A partnership has been established between DHCD, Utah-based industrial banks, and a nonprofit organization to provide that technical assistance to communities wanting to upgrade their housing plans. To comply with the requirements of the federal Community Reinvestment Act, banks are helping to deliver training and workshops on affordable housing planning for cities and counties across Utah. These trainings and workshops began in April 2008. The banking partners also financed the development of a software tool which aids communities in projecting population growth and low-to-moderate-income housing needs. The partnership gave presentations at the fall 2007 Utah League of Cities and Towns conference.

DHCD and its partners are also helping communities develop actual housing projects to address priority housing needs. That technical assistance includes guidance on project financing, project development, construction management, capacity sharing, and compliance issues with federal housing law. Technical assistance also focuses on removing regulatory barriers.

A \$10,000 appropriation to DHCD from the Legislature helps to provide the technical assistance as a match to a \$61,000 federal grant from USDA Rural Development. The USDA funding allows DHCD to also provide technical assistance for smaller rural communities wanting moderate/affordable housing plans – communities that are excluded due to size from UCA 9-4-1204.

¹⁹Woods, James, "Utah Foreclosures Likely to Set Record in 2009", Bureau of Economic and Business Research, University of Utah, August 2008, page 2.

Utah's Consolidated Plan

A Consolidated Plan is required by the U.S. Department of Housing and Urban Development for the allocation of federal HOME, ESG, HOPWA, and CSBG funds. As the designated



The Utah Consolidated Plan assesses housing needs and priorities.

research and planning tool for the State of Utah and individual local government agencies throughout the state, the Consolidated Plan involves close cooperation between DHCD and regional associations of government. The associations of local government develop regional consolidated plans through research and public meetings involving residents, local governments and public service agencies. The Utah Division of Housing and Community Development prepares and submits the new statewide Utah Consolidated Plan every five years with annual updates per Federal CFR 24-9-121 and the Department of Housing and Urban Development (HUD) guidelines. The

state-wide Utah Consolidated Plan and updates provide a comprehensive overview of community development, housing and homeless needs and priorities. In May 2008, the U.S. Department of Housing and Urban Development approved Utah's annual update to the five-year plan. Assuming a consistent level of federal and state funding each year, Olene Walker Housing Loan Funds are targeted to achieve the Utah Consolidated Plan's housing outcomes.²⁰

Olene Walker Housing Loan Fund Administration and Portfolio Management

The OWHLF Board as established per 63-34-4 and 9-4-701 to 708 governs the fund. Federal HUD and USDA Rural Development rules, state regulations, and the OWHLF Allocation Plan guide implementation of programs and distribution of funds. Fund management, expenditures, and program operations are reviewed and audited by the U.S. Department of Housing and Urban Development and the Utah State Auditor.

Since 1987, DHCD has provided leadership for Utah's affordable housing sector. From 1987 through June 30, 2008, DHCD-managed programs and funding have created or preserved a total of 9,998 units statewide. OWHL Funds are dispersed through the Division of Housing and Community Development's housing programs to eligible projects that:²¹

- Achieve a high degree of leverage with other financing
- Leverage local government contributions in the form of infrastructure improvements and other assistance
- Encourage responsible single-family home ownership and multi-family unit management

²⁰ For a copy of the 2005 Utah Consolidated Plan and 2007 update, see:

http://community.utah.gov/housing_and_community_development/OWHLF/consolidatedplan.html

²¹ Because some geographic areas of the state receive HUD HOME funds directly from HUD (including Ogden City, Salt Lake County, Salt Lake City, and the Provo Consortium), the programs offered through the Utah Division of Housing and Community Development target those areas not otherwise served.

- Demonstrate a strong probability of serving the original target group or income group for a period of at least 15 years
- Demonstrate the ability, stability and resources to complete the project;
- Serve the greatest need
- Provide housing for persons and families with the lowest incomes
- Meet local government housing plans and local needs, and
- Mitigate or correct existing health, safety or welfare problems.



Twenty-eight of the 100 formerly homeless residents of Sunrise Metro are now employed in the workforce. The project received \$1.5 million from the OWHLF.

The loan portfolio is valued at \$63 million dollars in outstanding loans. The loan portfolio currently totals 915 loans (see Table V) with 22 loans (2.4 percent of the portfolio) that are 90 days overdue or in foreclosure on June 30, 2008.

**Table V: OWHLF Loan Portfolio
FY03 to FY08**

	Loan Portfolio Size (number of loans)	Value of Loan Portfolio (outstanding loans only)²²
FY03	848	\$41,688,888
FY04	874	\$52,487,397
FY05	889	\$48,860,716
FY06	851	\$51,327,345
FY07	969	\$53,194,999
FY08	915	\$63,033,707

By focusing on loans rather than grants the OWHLF Board has chosen to roll repayments into new projects to meet Utah's future housing needs.

Project Funding Considerations

For each housing project, DHCD recommends a level of funding to the board necessary to achieve long-term financial viability and to ensure that low-income populations are served throughout the funding period. Board meetings are conducted under State of Utah public meeting laws. In making final project approvals, the OWHLF Board also considers:

- The sources and uses of funds and total financing including loan terms, equity and contributions planned for the project
- Adherence to special set-asides for Community Housing Development Organizations (CHDOs), rural set-asides, special needs housing, and grants (see Attachment A)
- The equity proceeds expected to be generated by use of the Low-income Housing Tax Credits

²²The total value of outstanding loans varies each year as a function of loans paid off and other repayments in principle and interest during the year. Data are derived from the Utah Division of State Finance's HOME report for 6/30/08.

- The percentage of the housing dollar amounts used for hard project costs compared to the cost of intermediaries (e.g. syndication, developer, consulting) and other soft costs
- The reasonableness of the developmental, construction and operational costs of the project and the rate of return for the owners
- Support from the local community including the amount of any CDBG grant funds allocated to the project
- The proposed time frame for construction or rehabilitation
- Project cash flow

There are four application cycles each year. To coincide with the federal tax credit application process, larger requests for OWHLF multi-family project funding tend to occur each fall. DHCD anticipates an increase in requests for FY09 funding due to overall demand for affordable housing as well as high construction and land costs. See Table VI for a list of multifamily projects funded in FY08.

Table VI: Multi-family Projects Receiving OWHLF during FY08

FY 08 Multi-family Projects	County	AMI served	Units Funded	OWHLF Allocation	Estimated Cost for Total Project
Countryside Apartments	Weber	35.3	72	\$373,293	\$6,755,027
Bramblewood Apartments	Weber	35.3	68	\$363,890	\$5,706,606
Discovery Place Apartments	Box Elder	25.0	21	\$581,823	\$3,419,000
Taylorville Sr.	Salt Lake	29.5	64	\$600,000	\$9,818,367
Tremonton Terrace	Box Elder	41.0	12	\$134,218	\$1,328,166
24 West Group Home	Salt Lake	20.0	1	\$29,000	\$31,667
Newhouse/Golden Rule	Carbon	35.0	51	\$131,840	\$6,156,941
Stonehenge Apartments	Davis	25.0	48	\$925,000	\$5,574,085
Picardy Apartments	Salt Lake	35.0	40	\$850,000	\$6,550,170
Peter Pan Apartments	Salt Lake	35.0	32	\$682,000	\$470,148
Springs at Logan River	Cache	35.8	64	\$323,312	\$10,758,992
Woodside Apartments	Carbon	34.9	48	\$1,070,000	\$4,385,668
Riverpark Seniors Apts.	Cache	41.6	18	\$220,000	\$1,924,921
5th East Transitional	Salt Lake	35.0	6	\$67,500	\$342,500
Palmer Court	Salt Lake	35.0	201	\$1,500,000	\$24,820,948
Mt. Catherine Apartments	Sevier	37.0	48	\$750,000	\$7,786,431
Totals/Average		34.1	794	\$8,601,876	\$95,829,637

Olene Walker Housing Loan Fund Board Membership

The Olene Walker Housing Loan Fund Board is appointed by the Governor and includes 11 voting members representing: local government, mortgage lenders, real estate sales, homebuilders, rental housing representatives, housing advocates, manufactured housing representatives and the general public. There are two ex-officio board members. Six board members whose appointments expired during FY08 were reappointed by the Governor.

To maintain the integrity of board decisions and to abide by HUD regulations and state statute regarding conflicts of interest, all board members are required to provide the Attorney General's Office and the Office of the Governor with full disclosure of project-related conflicts of interest. When conflicts arise, the board is required to request formal exceptions through the Utah Attorney General's Office and from the HUD Regional Office. No requests for HUD exceptions were necessary during FY08.

The OWHLF Board has adopted a meeting structure that increases board effectiveness by consolidating the number of meetings, including subcommittees from 24 meetings per year to 8 meetings per year. On this schedule, four quarterly board meetings are each preceded by a board working meeting where applications for funds are carefully reviewed, issues discussed, public comment solicited and recommendations formulated. These working board meetings allow the quarterly board meetings to focus on decision-making rather than application discussion and discovery. In addition to this change in meeting structure, and at the recommendation of the Utah Attorney General's Office representative, the board rescinded the old OWHLF Board Bylaws on July 13, 2006, and approved a resolution in accordance with UCA 9-4-703.

ATTACHMENT A

OWHLF Set-asides

The Olene Walker Housing Loan Fund Board has created the following set-asides to comply with federal and state allocation statutory requirements. These set asides include:

1. **CHDO** - The board will set-aside not less than, but not limited to 15 percent of the available HUD funds for qualified Community Housing Development Organizations (CHDO's) in accordance with HUD HOME program rules.
2. **Rural Set-Aside** - To encourage the development of affordable housing in rural and distressed areas of Utah, the board will set aside approximately 20 percent of the overall funding available for projects located in those areas of the state adapted from the U.S. Department of Agriculture Rural Development Service ("RD") as areas of chronic economic distress otherwise designated by the board as rural areas.
3. **Special Needs** - To encourage the use of funds and meet the objectives of the program as prioritized under the Utah Consolidated Plan, the board sets aside 15 percent of the overall funds for use in developing special-needs housing for persons who are elderly, frail elderly, mentally and physically disabled, homeless, persons with AIDS who need transitional housing.
4. **Grants** - To encourage the use of the funds and to meet the objectives of the program, a set-aside of 5 percent of the overall funds available for multi-family projects shall be made available to qualified projects and individuals as grants per the OWHLF Allocation Plan. At least 90 percent of all funds used as grants shall benefit persons or families whose income is below 50 percent of the area median income.
5. **Loans** - To encourage the use of the funds and to meet the objectives of the program as set forth by the State of Utah per 9-4-703, a set-aside of 50 percent of the overall funds available for multi-family projects, shall be allocated as loans. Those loans to be made per the criteria outlined in the adopted "Loan Policies and Products".
6. **Single-Family** – The Single-Family Allocation Plan utilizes funds to create and preserve single-family housing for lower income households. Projects must demonstrate containment and resource leveraging; demonstrate efficient and effective utilization of funds; encourage individual empowerment; achieve equitable geographic distribution of resources; and provide housing to special-needs populations including: larger family, elderly, physically disabled, and mentally ill. Single-Family Programs include the Single-Family Rehabilitation and Reconstruction Program, Individual Development Accounts/Down Payment Assistance, Self Help Program, HomeChoice Projects for the disabled, and Emergency Home Repair.
7. **Project Development** - The board has set aside a maximum of \$30,000 for each pre-development of projects (as defined by the Allocation Plan).

ATTACHMENT B
Projected Needs for Utah Affordable Housing

Utah's Low-income Households

Income Category	Typical Income Range	General Population Characteristics	Estimated # Households in Income Category (2008) and Percentage of Total Population
Total Households Statewide			900,903 (100%)
50 -80% AMI	\$32,650 to \$52,240	Firefighters, police officers, workforce housing (young families, experienced teachers, nurses, etc.)	179,493 (19.9%)
30 -50% AMI	\$19,590 to \$32,650	Households with two wage earners at minimum wage, nurses aids, beginning teachers, government clerical, etc.	93,787 (10.4%)
<30% AMI	\$19,590 or less	Homeless, seniors, single individuals making minimum wage (one job), food service workers, others on fixed income, victims of domestic violence, disabled, etc.	75,882 (8.4%)
Percent of All Households That Are Low - Income			38.7%

Utah's Housing Profile

Income Category	Total Households	Households that Rent	Households that Own	Low-Income Rental and Homeowner Units Needing Rehabilitation (annual need)
Statewide Totals	900,903	261,262 (29%)	639,641(71%)	
50 -80% AMI	179,493	69,057 (38%)	110,436 (62%)	7,180
30 -50% AMI	93,787	47,154 (50%)	46,633 (50%)	3,751
<30% AMI	75,882	47,023 (62%)	28,859 (38%)	3,035
Total Low - Income Households	349,162	163,234	185,928	13,966

Projected Housing Needs

Income Category	Annual Need for New Rental Units (for targeted population)	Need for Home - Ownership (annual units for targeted population)	OWHLF - Funded Housing Units FY08
50-80% AMI	2,168	3,468	24
30-50% AMI	1,481	0	494
<30% AMI	1,477	0	395
Totals Units	5,126	3,468	913

Annual Funds Required to Meet Housing Needs

Income Category	Rehabilitation of Rental and Homeownership Units	Funds Needed (new rental construction)	Funds Needed (new homeownership construction)	FY09 OWHLF Allocation New Funds
50-80% AMI	\$739 million	\$223 million	\$1,794 million	
30-50% AMI	\$386 million	\$152 million	\$0	
<30% AMI	\$312 million	\$152 million	\$0	
Total	\$1,437 million	\$527 million	\$1,794 million	\$7 million

ATTACHMENT C
FUNDING HISTORY OF THE OLENE WALKER HOUSING LOAN FUND - FEDERAL AND STATE

State Fiscal Year	RENTAL REHAB	RURAL DEVELOPMENT	HOME	ADDI	STATE MATCH/BASE BUDGET	ONE TIME	ENHANCEMENT	TOTAL
1985	\$208,645	\$0	\$0	\$0	\$0	\$0	\$0	\$208,645
1986	\$370,744	\$0	\$0	\$0	\$0	\$0	\$0	\$370,744
1987	\$187,893	\$0	\$0	\$0	\$0	\$0	\$0	\$187,893
1988	\$277,265	\$200,000	\$0	\$0	\$0	\$0	\$0	\$477,265
1989	\$232,150	\$200,000	\$0	\$0	\$0	\$0	\$0	\$432,150
1990	\$100,701	\$200,000	\$0	\$0	\$0	\$0	\$0	\$300,701
1991	\$143,650	\$200,000	\$0	\$0	\$0	\$0	\$0	\$343,650
1992	\$83,700	\$200,000	\$0	\$0	\$0	\$0	\$0	\$283,700
1993	\$0	\$200,000	\$3,000,000	\$0	\$0	\$0	\$0	\$3,200,000
1994	\$0	\$200,000	\$3,000,000	\$0	\$0	\$0	\$0	\$3,200,000
1995	\$0	\$200,000	\$2,906,000	\$0	\$2,400,000	\$0	\$0	\$5,506,000
1996	\$0	\$162,350	\$3,000,000	\$0	\$1,250,000	\$1,250,000	\$0	\$5,662,350
1997	\$0	\$150,000	\$3,000,000	\$0	\$2,250,000	\$1,250,000	\$0	\$6,650,000
1998	\$0	\$100,000	\$3,000,000	\$0	\$1,500,000	\$750,000	\$0	\$5,350,000
1999	\$0	\$118,000	\$3,000,000	\$0	\$1,000,000	\$1,500,000	\$0	\$5,618,000
2000	\$0	\$50,000	\$3,000,000	\$0	\$1,000,000	\$0	\$500,000	\$4,550,000
2001	\$0	\$40,000	\$3,000,000	\$0	\$1,500,000	\$0	\$500,000	\$5,040,000
2002	\$0	\$50,000	\$3,358,000	\$0	\$2,000,000	\$88,000	\$225,000	\$5,721,000
2003	\$0	\$0	\$3,430,000	\$0	\$2,525,000	\$0	\$0	\$5,955,000
2004	\$0	\$0	\$4,154,000	\$170,619	\$2,084,500	\$0	\$0	\$6,409,119
2005	\$0	\$0	\$4,211,827	\$201,395	\$2,084,500	\$200,000	\$0	\$6,697,722
2006	\$0	\$0	\$4,015,543	\$114,840	\$2,236,400	\$500,000	\$0	\$6,866,783
2007	\$0	\$1,500,000	\$3,783,080	\$57,305	\$2,286,400	\$1,000,000	\$0	\$8,626,785
2008	\$0	\$0	\$3,829,421	\$57,374	\$2,686,400	\$0	\$0	\$6,573,195
2009	\$0	\$61,000	\$3,683,005	\$23,181	\$2,686,400	\$450,000	\$0	\$6,903,586
TOTAL	\$1,604,748	\$3,831,350	\$57,370,876	\$624,714	\$29,489,600	\$6,988,000	\$1,225,000	\$101,134,288

1) In 1992, the HUD-sponsored HOME program replaced the HUD-sponsored Rental Rehabilitation Program.

2) The data shown under "Rural Development" are for single-family programs and rural 515 properties sponsored by the U.S. Department of Agriculture.

3) For 2003, HUD announced the American Dream Down-payment Initiative (ADDI) for assistance to first time homebuyers. Funds were distributed to states on a formula basis.

4) As of July 1, 2000, legislatively appropriated funds are transferred directly to the Trust Fund and invested in the Public Treasurers Investment Fund.

5) All interest earned is deposited directly to the Trust Fund, not the General Fund. All individual funds are set up with the Public Treasurers Investment Fund, and interest earned on each fund is deposited back to the individual fund.

6) The 1987 Legislature established the STATE OF UTAH HOUSING DEVELOPMENT RESTRICTED ACCOUNT. Effective July 1, 1992, the Fund name became the STATE OF UTAH HOUSING TRUST FUND, and on May 1, 1995, the Legislature changed the name to the OLENE WALKER HOUSING TRUST FUND. Effective July 1, 2001, the Fund name was changed to OLENE WALKER HOUSING LOAN FUND, (at this time the fund was an ENTERPRISE fund and not a trust fund).

7) Effective May 3, 2004, the administering agency name became the DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT and on July 1, 2005, the department became the DEPARTMENT OF COMMUNITY AND CULTURE.

9) The total funding through FY08 includes grant and administrative funds expended since 1984 which is reflected in the lower, current value of the loan portfolio.

Division of Housing and Community Development
Gordon D. Walker, Director

Olene Walker Housing Loan Fund Board

JoAnn Seghini, Chair
Joe Piccolo, Vice Chair
Stephen Blaser
Vincent Clayton
Gloria Froerer
Craig Hackett
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UTAH DEPARTMENT OF
COMMUNITY
AND CULTURE

